



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE April 2, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on Webster County, Iowa.

The County had local tax revenue of \$41,739,764 for the year ended June 30, 2006, which included \$2,033,465 in tax credits from the state. The County forwarded \$31,793,216 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,946,548 of the local tax revenue to finance County operations, an 8% increase over the prior year. Other revenues included charges for service of \$3,260,108, operating grants and contributions of \$7,757,622, capital grants and contributions of \$749,511, local option sales tax of \$803,309, unrestricted investment earnings of \$499,987 and other general revenues of \$329,872.

Expenses for County operations totaled \$23,406,724, a 12% increase over the prior year. Expenses included \$6,860,315 for roads and transportation, \$4,188,526 for public safety and legal services and \$4,120,721 for mental health. The significance increase in expenses is due primarily to an \$1,835,000 economic development grant to Frontier Ethanol.

A copy of the report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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WEBSTER COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Eddie Peterson	Board of Supervisors	Jan 2009
Phil Condon	Board of Supervisors	Jan 2009
Greg Nolting	Board of Supervisors	Jan 2009
Carol Messerly	County Auditor	Jan 2009
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Brian Mickelson	County Sheriff	Jan 2009
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2010

Webster County



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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.

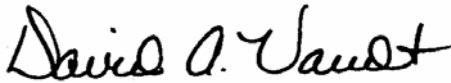
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

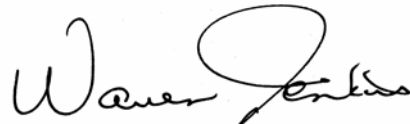
In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2007 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 8, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.5%, or approximately \$794,000, from fiscal 2005 to fiscal 2006. Property tax revenue increased approximately \$721,000, or 8.3%.
- Program expenses of the County's governmental activities increased 11.6%, or approximately \$2,425,000, in fiscal 2006 over fiscal 2005. Roads and transportation and non-program expenses increased approximately \$817,000 and \$1,092,000, respectively.
- The County's net assets decreased less than .2%, or approximately \$60,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Webster County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Webster County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Webster County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

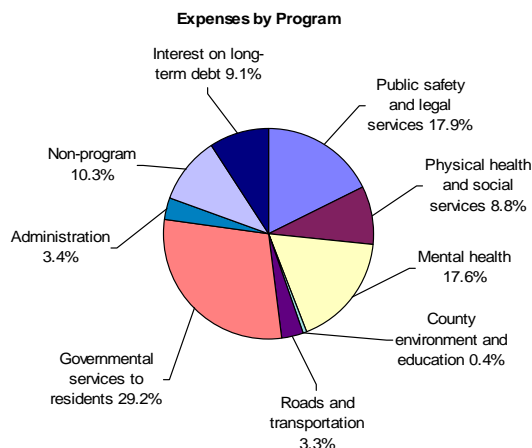
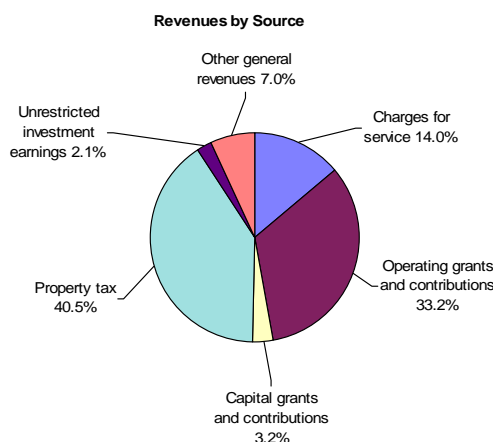
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets remained constant at \$45.0 million during the year ended June 30, 2006. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 24,310	24,236
Capital assets	35,367	33,523
Total assets	59,677	57,759
Long-term liabilities	3,493	1,543
Other liabilities	11,172	11,144
Total liabilities	14,665	12,687
Net assets:		
Invested in capital assets, net of related debt	35,057	32,913
Restricted	8,905	8,576
Unrestricted	1,050	3,583
Total net assets	\$ 45,012	45,072

Net assets of Webster County's governmental activities remained constant from FY05. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased by \$2.5 million due to the issuance of urban renewal tax increment revenue bonds of \$2.5 million for a \$1,835,000 economic development grant to Frontier Ethanol and certain road improvements.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 3,260	2,841
Operating grants and contributions	7,758	7,732
Capital grants and contributions	750	1,527
General revenues:		
Property tax	9,446	8,725
Unrestricted investment earnings	500	252
Other general revenues	1,633	1,476
Total revenues	23,347	22,553
Program expenses:		
Public safety and legal services	4,189	4,090
Physical health and social services	2,049	2,025
Mental health	4,121	4,150
County environment and education	771	779
Roads and transportation	6,861	6,044
Governmental services to residents	786	611
Administration	2,421	2,195
Non-program	2,127	1,035
Interest on long-term debt	82	53
Total expenses	23,407	20,982
Increase (decrease) in net assets	(60)	1,571
Net assets beginning of year	45,072	43,501
Net assets end of year	\$ 45,012	45,072



Webster County's net assets of governmental activities decreased approximately \$60,000 during the year. Revenues for governmental activities increased approximately \$794,000 over the prior year, with property tax revenue increasing from the prior year approximately \$721,000, or 8.3%.

The cost of all governmental activities this year was approximately \$23.4 million compared to approximately \$21.0 million last year. However, as shown in the Statement of Activities on Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$11.6 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$12,548,000, an increase of approximately \$795,000 above last year's total of approximately \$11,753,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$3,000 and expenditures increased approximately \$275,000 from the prior year. The ending fund balance showed a modest decrease of approximately \$72,000 from the prior year to \$4,005,331. This maintains a comfortable day-to-day operating balance during the first quarter of FY07 prior to the receipt of the first half of property tax.
- Mental Health Fund revenues increased approximately \$790,000 from the previous year due to an increase in mental health funding from the State and property taxes. For the year, expenditures totaled approximately \$4,112,000, a decrease of 0.8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$186,000 from the prior year. The fund balance includes a designated balance for an assertive community treatment program of \$376,895 which will be included in the fiscal year 2007 budget.
- Rural Services Fund revenues increased approximately \$42,000 from the previous fiscal year, and expenditures increased approximately \$23,000. Transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$40,000. The Rural Services Fund balance increased approximately \$53,000. There were no significant changes in revenues or expenditures.
- Revenues in the Secondary Roads Fund increased approximately \$1,312,000 over the previous year. Secondary Roads Fund expenditures increased approximately \$1,814,000 over the prior year, due principally to an increase in capital projects and the purchase of equipment of approximately \$1,716,000. The expenditures for capital projects can vary from year to year due to the scheduling of the projects. Revenues increased primarily due to grants for bridges and roads.

Transfers from the Rural Services Fund and the General Fund to the Secondary Roads Fund decreased approximately \$15,000. Transfers from the Frontier Ethanol Urban Renewal Tax Increment Financing Fund was \$265,000 for road improvements. The Secondary Roads Fund balance increased approximately \$272,000.

- The Drainage Districts Fund ended the year with a \$271,726 balance compared to a \$177,225 balance at the end of the previous year. Proceeds from stamped warrants decreased approximately \$112,000 and expenditures for major projects decreased approximately \$209,000 during the year. As a result, there was an increase in the ending fund balance of \$94,501.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget twice. The first amendment was made in September 2005 and resulted in an increase in budgeted disbursements and budgeted receipts to allow for pass-through funds for Community Development Block Grant projects, purchase of HAVA compliant voting equipment, tornado siren replacement, software updates and building expenses. The second amendment was made in May 2006 and resulted in an increase in budgeted disbursements and bond proceeds for the issuance and disbursement of Frontier Ethanol Tax Increment Revenue Bonds.

The County's actual receipts were \$42,196 less than budgeted receipts due to intergovernmental receipts not received from construction projects not started until after June 30, 2006.

Total disbursements were \$3,038,287 less than the final amended budget. Capital projects actual disbursements were \$1,827,026 less than budgeted due to planned construction projects not started until after June 30, 2006. The remaining \$1,211,261 was accomplished by reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Webster County had approximately \$35,367,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,844,000, or 5.5%, over FY05.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 987	836
Construction in progress	43	1,477
Buildings and improvements	6,366	6,637
Machinery and equipment	3,843	3,001
Infrastructure	24,128	21,572
Totals	\$ 35,367	33,523

This year's major additions included (in thousands):

Secondary roads infrastructure and land	\$ 2,776
Secondary roads equipment	878
Voting equipment	352
Vehicles for the Sheriff's department	51
Conservation equipment	63
Total	\$ 4,120

The County had depreciation expense of \$2,405,943 in FY06 and total accumulated depreciation of \$30,235,906 at June 30, 2006.

The County's fiscal year 2006 capital projects budget included \$5,600,000, principally for Secondary Roads Fund projects and the Frontier Ethanol Plant. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2006, Webster County had approximately \$3,123,000 in general obligation notes and other debt outstanding, compared to approximately \$1,154,000 at June 30, 2005, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2006	2005
General obligation refunding notes	\$ 310	610
General obligation E911 equipment notes	120	175
Iowa rural community 2000 loan	-	12
Tax increment revenue bond	2,401	-
Drainage warrants	292	357
Totals	\$ 3,123	1,154

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding general obligation debt of \$3,123,361 is significantly below its constitutional debt limit of \$88.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2006. Unemployment in the County now stands at 3.9 percent versus 4.8 percent a year ago. This compares with the State's unemployment rate of 3.7 percent and is below the national rate of 4.6 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The National CPI was 3.2 percent for 2006 compared with the prior year rate of 3.8 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2005-2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$23.5 million, a decrease of 15.3 percent over the final 2006 budget, which included construction projects not started in FY06. Modest wage and cost-of-living adjustments are included in the fiscal year 2007 budget. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Webster County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Webster County Auditor's Office, 703 Central Avenue, Fort Dodge, Iowa 50501.

Webster County

Basic Financial Statements

Exhibit A

Webster County
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Cash and pooled investments	\$ 11,294,871
Cash held by escrow agent	276,354
Receivables:	
Property tax:	
Delinquent	55,632
Succeeding year	9,791,000
Interest and penalty on property tax	1,410
Accounts	375,676
Accrued interest	39,853
E911 lease	120,000
Drainage assessments:	
Current	104,543
Future	235,275
Due from other governments	1,067,982
Inventories	866,947
Prepaid insurance	80,939
Capital assets (net of accumulated depreciation)	35,366,881
Total assets	59,677,363
Liabilities	
Accounts payable	486,221
Accrued interest payable	58,472
Salaries and benefits payable	147,297
Due to other governments	689,181
Deferred revenue:	
Succeeding year property tax	9,791,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding notes	310,000
General obligation E911 equipment notes	60,000
Drainage warrants	292,285
Compensated absences	369,734
Portion due or payable after one year:	
General obligation E911 equipment notes	60,000
Frontier Ethanol tax increment financing revenue bonds	2,401,076
Total liabilities	14,665,266
Net Assets	
Invested in capital assets, net of related debt	35,056,881
Restricted for:	
Supplemental levy purposes	654,573
Mental health purposes	507,178
Secondary roads purposes	5,527,434
Drainage district purposes	629,887
Debt service	324,090
Other purposes	1,262,270
Unrestricted	1,049,784
Total net assets	\$ 45,012,097

See notes to financial statements.

Webster County
Statement of Activities
Year ended June 30, 2006

		Program Revenues			Net (Expense)
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
	Expenses				
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,188,526	285,451	538,820	-	(3,364,255)
Physical health and social services	2,049,238	1,177,150	969,492	-	97,404
Mental health	4,120,721	621,481	1,579,366	-	(1,919,874)
County environment and education	771,617	102,574	43,993	-	(625,050)
Roads and transportation	6,860,315	280,706	4,376,866	749,511	(1,453,232)
Governmental services to residents	785,927	514,614	249,085	-	(22,228)
Administration	2,421,066	129,953	-	-	(2,291,113)
Non-program	2,127,385	148,179	-	-	(1,979,206)
Interest on long-term debt	81,929	-	-	-	(81,929)
Total	\$ 23,406,724	3,260,108	7,757,622	749,511	(11,639,483)
General Revenues:					
Property and other county tax levied for:					
General purposes					9,166,830
Debt service					279,221
Penalty and interest on property tax					112,680
State tax credits					500,497
Local option sales tax					803,309
Unrestricted investment earnings					499,987
Rent					37,322
Gain on sale of capital assets					171,107
Miscellaneous					8,763
Total general revenues					11,579,716
Change in net assets					(59,767)
Net assets beginning of year					45,071,864
Net assets end of year					\$ 45,012,097

See notes to financial statements.

Webster County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Assets					
Cash and pooled investments:					
County Treasurer	\$ 4,065,877	1,154,551	568,168	4,076,451	271,726
Cash held by escrow agent	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	40,907	11,672	1,073	-	-
Succeeding year	5,955,000	1,809,000	1,756,000	-	-
Interest and penalty on property tax	1,410	-	-	-	-
Accounts	8,837	80,459	-	165,000	-
Accrued interest	35,400	-	-	3,724	-
E911 lease	120,000	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	104,543
Future	-	-	-	-	235,275
Due from other governments	171,698	3,710	-	717,963	-
Inventories	-	-	-	866,947	-
Prepaid insurance	60,720	-	406	19,813	-
Total assets	\$ 10,459,849	3,059,392	2,325,647	5,849,898	611,544
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 197,785	101,801	-	135,753	-
Salaries and benefits payable	86,006	10,612	-	38,172	-
Due to other governments	24,161	615,936	-	27,678	-
Deferred revenue:					
Succeeding year property tax	5,955,000	1,809,000	1,756,000	-	-
Other	191,566	11,630	1,073	-	339,818
Total liabilities	6,454,518	2,548,979	1,757,073	201,603	339,818
Fund balances:					
Reserved for:					
Supplemental levy purposes	641,963	-	-	-	-
Drainage warrants	-	-	-	-	26,912
Debt service	-	-	-	-	-
Unreserved, designated for:					
Highway project	-	-	-	1,396,472	-
Assertive community treatment program	-	376,895	-	-	-
Unreserved, undesignated, reported in:					
General fund	3,363,368	-	-	-	-
Special revenue funds	-	133,518	568,574	4,251,823	244,814
Total fund balances	4,005,331	510,413	568,574	5,648,295	271,726
Total liabilities and fund balances	\$ 10,459,849	3,059,392	2,325,647	5,849,898	611,544

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
34,351	1,027,808	11,198,932
-	276,354	276,354
1,980	-	55,632
271,000	-	9,791,000
-	-	1,410
-	121,380	375,676
-	321	39,445
-	-	120,000
-	-	104,543
-	-	235,275
-	174,611	1,067,982
-	-	866,947
-	-	80,939
307,331	1,600,474	24,214,135
-	27,937	463,276
-	12,507	147,297
-	21,406	689,181
271,000	-	9,791,000
1,243	30,047	575,377
272,243	91,897	11,666,131
-	-	641,963
-	-	26,912
35,088	276,354	311,442
-	-	1,396,472
-	-	376,895
-	-	3,363,368
-	1,232,223	6,430,952
35,088	1,508,577	12,548,004
307,331	1,600,474	24,214,135

Webster County

Webster County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total governmental fund balances (page 19) \$ 12,548,004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$65,602,787 and the accumulated depreciation is \$30,235,906. 35,366,881

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 575,377

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 73,402

Long-term liabilities, including notes payable, drainage warrants payable, compensated absences payable, bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,551,567)

Net assets of governmental activities (page 16) \$ 45,012,097

See notes to financial statements.

Webster County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,744,805	1,638,393	1,766,853	803,309
Interest and penalty on property tax	112,680	-	-	-
Intergovernmental	1,677,433	2,263,669	94,582	4,771,666
Licenses and permits	32,608	-	-	3,681
Charges for service	741,460	20,623	-	14
Use of money and property	483,728	-	3,812	46,785
Miscellaneous	42,420	3,446	21	202,185
Total revenues	8,835,134	3,926,131	1,865,268	5,827,640
Expenditures:				
Operating:				
Public safety and legal services	4,185,571	-	-	-
Physical health and social services	566,454	-	-	-
Mental health	-	4,112,304	-	-
County environment and education	533,274	-	256,841	-
Roads and transportation	-	-	-	5,639,429
Governmental services to residents	1,009,044	-	-	-
Administration	2,312,763	-	-	-
Non-program	105,172	-	-	-
Debt service	60,375	-	-	-
Capital projects	-	-	-	1,896,510
Total expenditures	8,772,653	4,112,304	256,841	7,535,939
	-			
Excess (deficiency) of revenues over (under) expenditures	62,481	(186,173)	1,608,427	(1,708,299)
Other financing sources (uses):				
Sale of capital assets	-	-	-	40,492
Operating transfers in	-	-	-	1,940,000
Operating transfers out	(134,710)	-	(1,555,840)	-
Tax increment financing revenue bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	(134,710)	-	(1,555,840)	1,980,492
Net change in fund balances	(72,229)	(186,173)	52,587	272,193
Fund balances beginning of year	4,077,560	696,586	515,987	5,376,102
Fund balances end of year	\$ 4,005,331	510,413	568,574	5,648,295

See notes to financial statements.

Drainage Districts	Debt Service	Nonmajor Special Revenue	Total
-	279,282	-	10,232,642
-	-	-	112,680
-	14,481	1,602,627	10,424,458
-	-	-	36,289
-	-	234,126	996,223
-	-	5,353	539,678
308,795	12,586	41,334	610,787
308,795	306,349	1,883,440	22,952,757
-	-	17,944	4,203,515
-	-	1,471,221	2,037,675
-	-	-	4,112,304
-	-	7,669	797,784
-	-	-	5,639,429
-	-	21,768	1,030,812
-	-	-	2,312,763
109,289	-	1,835,000	2,049,461
241,337	325,511	125,000	752,223
-	-	2,509	1,899,019
350,626	325,511	3,481,111	24,834,985
(41,831)	(19,162)	(1,597,671)	(1,882,228)
-	-	-	40,492
-	-	15,664	1,955,664
-	-	(265,114)	(1,955,664)
-	-	2,500,000	2,500,000
136,332	-	-	136,332
136,332	-	2,250,550	2,676,824
94,501	(19,162)	652,879	794,596
177,225	54,250	855,698	11,753,408
271,726	35,088	1,508,577	12,548,004

Webster County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 23) \$ 794,596

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 3,370,025	
Capital assets contributed by the Iowa Department of Transportation	749,511	
Depreciation expense	<u>(2,405,943)</u>	1,713,593

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.		130,615
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	16,719	
Other	<u>(706,704)</u>	(689,985)

Bond and drainage warrant proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(2,636,332)	
Repaid	<u>666,715</u>	(1,969,617)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	19,824	
Interest on long-term debt	<u>3,582</u>	23,406

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(62,375)

Change in net assets of governmental activities (page 17)		<u><u>\$ (59,767)</u></u>
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See notes to financial statements.

Webster County
Statement of Net Assets
Proprietary Fund

June 30, 2006

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 95,939
Accrued interest receivable	408
Total assets	96,347
Liabilities	
Accounts payable	22,945
Net Assets	
Unrestricted	\$ 73,402

See notes to financial statements.

Webster County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,355,234
COBRA reimbursements		23,603
Other sources		4,972
Total operating revenues		<u>1,383,809</u>
Operating expenses:		
Insurance premiums	\$ 1,300,048	
Medical claims	119,858	
Administration Fees	30,720	1,450,626
Operating loss		<u>(66,817)</u>
Non-operating revenues:		
Interest income		4,442
Net loss		<u>(62,375)</u>
Net assets beginning of year		<u>135,777</u>
Net assets end of year		<u><u>\$ 73,402</u></u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows for operating activities:	
Cash received from operating fund contributions	\$ 1,355,234
Cash received from COBRA reimbursements	23,603
Cash received from other sources	4,972
Cash paid for insurance premiums	(1,300,048)
Cash paid for medical claims	(119,653)
Cash paid for administrative expenses	(30,720)
Net cash used for operating activities	<u>(66,612)</u>
Cash flows from investing activities:	
Interest on investments	<u>4,502</u>
Net decrease in cash and cash equivalents	(62,110)
Cash and cash equivalents beginning of year	<u>158,049</u>
Cash and cash equivalents end of year	<u><u>\$ 95,939</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (66,817)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	<u>205</u>
Net cash used by operating activities	<u><u>\$ (66,612)</u></u>

See notes to financial statements.

Webster County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 1,637,630
Other County officials	33,963

Receivables:

Property tax:

Delinquent	261,575
Succeeding year	30,282,000

Accounts	27,770
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Special assessments	119,868
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Drainage assessments:

Current	6,054
Future	22,427

Due from other governments	7,013
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Total assets	<u>32,398,300</u>
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Liabilities

Accounts payable	2,300
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Salaries and benefits payable	4,318
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Due to other governments	32,351,215
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Stamped warrants payable	23,878
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Trusts payable	5,886
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Compensated absences	10,703
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Total liabilities	<u>32,398,300</u>
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Net assets	<u>\$ -</u>
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See notes to financial statements.

Webster County
Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Webster County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Webster County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Webster County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Webster County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Webster County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Webster County Assessor's Conference Board, Webster County Emergency Management Commission and Webster County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Webster County Solid Waste Commission, the Webster County Telecommunications Board, Central Iowa Juvenile Detention Center, Region V Narcotic Task Force, Mid-Iowa Development Association Council of Governments, Hazardous Materials Response Commission and Local Emergency Planning Commission, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa. In addition, the County also participates in the following jointly governed organizations: Second Judicial District Department of Correctional Services, Iowa Central Industries, Your Own Limited Resources, Inc., the North Central Alcoholism Research Foundation, Webster County Economic Development Corporation and North Central Mental Health Center.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Drainage Districts Fund is used to account for drainage district construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was collected in July and August of 2006.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Current drainage assessments receivable represent assessments which are due and payable but have not been collected. Future drainage assessments receivable represent amounts which will be assessed to individuals and levied against their property in the future for work already done on drainage districts which benefit their property.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 25,000
Land and improvements	5,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land and improvements	10 - 50
Equipment and vehicles	3 - 20
Infrastructure	10 - 65

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,682,770 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 119,160
	Special Revenue: Rural Services	1,555,840
	Frontier Ethanol Urban Renewal Tax Increment Financing	265,000
County Recorder's Records Management	Special Revenue: County Recorder's Electronic Transaction Fee	114
Conservation Land Acquisition	General	15,550
Total		<u>\$ 1,955,664</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 835,945	151,062	-	987,007
Construction in progress	1,477,034	2,625,009	(4,059,243)	42,800
Total capital assets not being depreciated	2,312,979	2,776,071	(4,059,243)	1,029,807
Capital assets being depreciated:				
Buildings	15,044,366	-	-	15,044,366
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	6,969,171	1,507,801	(544,650)	7,932,322
Infrastructure, road network	37,387,049	4,059,243	-	41,446,292
Total capital assets being depreciated	59,550,586	5,567,044	(544,650)	64,572,980
Less accumulated depreciation for:				
Buildings	8,452,317	255,874	-	8,708,191
Improvements other than buildings	105,000	15,000	-	120,000
Equipment and vehicles	3,968,213	632,356	(510,927)	4,089,642
Infrastructure, road network	15,815,360	1,502,713	-	17,318,073
Total accumulated depreciation	28,340,890	2,405,943	(510,927)	30,235,906
Total capital assets being depreciated, net	31,209,696	3,161,101	(33,723)	34,337,074
Governmental activities capital assets, net	\$ 33,522,675	5,937,172	(4,092,966)	35,366,881

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 153,470
Physical health and social services	35,287
Mental health	3,866
County environment and education	59,232
Roads and transportation	1,968,986
Governmental services to residents	74,486
Administration	110,616
Total depreciation expense - governmental activities	<u>\$ 2,405,943</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 24,161
Special Revenue:		
Mental Health	Services	615,936
Secondary Roads	Services	27,678
Public Health	Services	21,406
		<u>665,020</u>
Total for governmental funds		<u>\$ 689,181</u>
Agency:		
Agricultural Extension Education	Collections	\$ 189,257
County Assessor		461,792
Schools		17,596,196
Community Colleges		815,009
Corporations		11,804,370
Townships		301,246
Auto License and Use Tax		686,872
Special Districts		145,970
All other		<u>350,503</u>
Total for agency funds		<u>\$ 32,351,215</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Refunding Notes	General Obligation E911 Equipment Notes	Iowa Rural Community 2000 Loan	Drainage Warrants	Compen- sated Absences	Frontier Ethanol Tax Increment Revenue Bonds	Total
Balance beginning of year	\$ 610,000	175,000	11,986	356,758	389,558	-	1,543,302
Increases	-	-	-	136,332	406,536	2,500,000	3,042,868
Decreases	300,000	55,000	11,986	200,805	426,360	98,924	1,093,075
Balance end of year	\$ 310,000	120,000	-	292,285	369,734	2,401,076	3,493,095
Due within one year	\$ 310,000	60,000	-	292,285	369,734	-	1,032,019

General Obligation Debt

A summary of the County's June 30, 2006 general obligation indebtedness is as follows:

Year Ending June 30,	General Obligation Refunding Notes			General Obligation E911 Equipment Notes			Urban Renewal Tax Increment Revenue Bond		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	2.25%	\$ 310,000	6,975	2.85%	\$ 60,000	3,630		\$ -	137,500
2008		-	-	3.20%	60,000	1,920		27,569	137,500
2009		-	-		-	-		263,517	126,969
2010		-	-		-	-		278,210	112,276
2011		-	-		-	-		293,722	96,764
2012-2016		-	-		-	-		1,348,041	213,900
2017		-	-		-	-		190,017	5,225
Total		\$ 310,000	6,975		\$ 120,000	5,550		\$2,401,076	830,134

Year Ending June 30,	Total		
	Principal	Interest	Total
2007	\$ 370,000	148,105	518,105
2008	87,569	139,420	226,989
2009	263,517	126,969	390,486
2010	278,210	112,276	390,486
2011	293,722	96,764	390,486
2012-2016	1,348,041	213,900	1,561,941
2017	190,017	5,225	195,242
Total	\$ 2,831,076	842,659	3,673,735

Iowa Rural Community 2000 Loan

Webster County was awarded an Iowa Rural Community 2000 low interest loan for \$129,000 to construct two sewage lagoons. During the year ended June 30, 1990, the principal amount of \$129,000 was loaned to the County by the Iowa Department of Economic Development. In accordance with a 28E agreement entered into between the County and the Savage Sanitary Sewer District, dated August 8, 1989, the District agreed to make principal and interest payments to the County on the promissory note executed by the County to the State of Iowa. The County in turn makes annual payments to the Iowa Department of Economic Development. The loan was completely repaid during fiscal year 2006.

Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Frontier Ethanol Tax Increment Revenue Bonds

The County sold \$2,500,000 of urban renewal tax increment revenue bonds dated April 18, 2006 for an urban renewal project to improve certain County roads, provide an economic development grant to Frontier Ethanol and pay capitalized interest and costs of issuance of this bond. The bonds are payable solely from the income and proceeds of the urban renewal tax revenue fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The bonds bear interest at 5.5% per annum with final maturity on December 1, 2016. On June 1, 2011 and on June 1, 2016 the interest rate on the bonds shall be adjusted to a rate 75 basis points higher than the five year U.S. Treasury rate. Principal and interest on the bonds shall be payable in semi annual payments of \$185,000 on June 1 and December 1, beginning June 1, 2008 and continuing through and including December 1, 2015, with an additional payment on June 1, 2016 in the amount of one half of the principal and interest remaining unpaid on that date and a final payment of all reminding principal and interest on December 1, 2016.

Since repayment of the bonds is dependent upon the amount of tax increment financing revenues collected each year, a formal repayment schedule has not been established for the tax increment urban renewal revenue bonds.

The County entered into an escrow agreement with First National Bank, Manning, Iowa to provide for the payment of capitalized interest to pay interest on the bond. The escrow account is to be used to pay interest of \$11,076 for the bonds on June 1, 2006 and four semi annual payments of \$68,750 from December 1, 2006 through and including June 1, 2008. The balance in the Special Revenue, Frontier Ethanol Urban Renewal Tax Increment Financing Fund is \$276,354 at June 30, 2006.

(7) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make annual payments from the E911 Service Fund to the General Fund in amounts sufficient to pay the debt service on the general obligation E911 equipment notes issued by the County discussed in Note 6 above.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$407,281, \$395,369 and \$396,076, respectively, equal to the required contributions for each year.

(9) Risk Management

Webster County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental

entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$161,330.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount

equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's group health insurance plan. The plan is funded by employee and County contributions and is administered through a service agreement with Group Services. All benefits in excess of Plan deductibles are paid through the Iowa State Association of Counties (ISAC), which in turn provides for its own reinsurance stop/loss limits and submits its own required state filings.

The payments for plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2006 was \$1,355,234.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2006 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County is exempt from obtaining an actuarial opinion under Chapter 509A.15(4) of the Code of Iowa. The combined County liability for unpaid claims is as follows:

Unpaid claims beginning of year	\$ 22,740
Incurred claims (including claims incurred but not reported at June 30, 2006	119,858
Payment on claims during the fiscal year	<u>120,063</u>
Unpaid claims end of year	<u><u>\$ 22,945</u></u>

(11) Subsequent Event

In August 2006, the County approved a resolution for the issuance and sale of \$697,700 of Iowa Facility Revenue Bonds (North Central Sheltered Workshop Project), Series 2006. The County will loan the proceeds of the bonds to the North Central Sheltered Workshop Project in order to finance renovation, improvements, construction, equipping and furnishing the North Central Sheltered Workshop's existing facility. Repayment of the bonds will be made solely from payments derived from the repayment agreement with the North Central Sheltered Workshop.

(12) Pending Litigation

The County is a defendant in a lawsuit seeking damages of approximately \$575,000. The probability and amount of loss, if any, is indeterminable.

Required Supplementary Information

Webster County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$10,224,867	-	10,224,867
Interest and penalty on property tax	111,985	-	111,985
Intergovernmental	10,569,605	-	10,569,605
Licenses and permits	36,516	-	36,516
Charges for service	972,067	-	972,067
Use of money and property	522,017	-	522,017
Miscellaneous	444,702	308,795	135,907
Total receipts	22,881,759	308,795	22,572,964
Disbursements:			
Public safety and legal services	4,170,947	-	4,170,947
Physical health and social services	2,037,878	-	2,037,878
Mental health	3,929,981	-	3,929,981
County environment and education	796,264	-	796,264
Roads and transportation	5,499,016	-	5,499,016
Governmental services to residents	1,013,599	-	1,013,599
Administration	2,292,439	-	2,292,439
Non-program	1,000,419	168,278	832,141
Debt service	627,224	241,336	385,888
Capital projects	3,772,974	-	3,772,974
Total disbursements	25,140,741	409,614	24,731,127
Excess (deficiency) of receipts over (under) disbursements	(2,258,982)	(100,819)	(2,158,163)
Other financing sources, net	2,676,824	136,332	2,540,492
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	417,842	35,513	382,329
Balance beginning of year	11,057,444	236,213	10,821,231
Balance end of year	\$11,475,286	271,726	11,203,560

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
10,165,857	10,139,443	85,424
98,500	98,500	13,485
10,313,872	11,123,737	(554,132)
41,000	41,000	(4,484)
716,080	716,080	255,987
448,500	448,500	73,517
47,900	47,900	88,007
21,831,709	22,615,160	(42,196)
4,272,315	4,440,565	269,618
2,153,497	2,153,497	115,619
3,930,000	4,300,780	370,799
903,430	866,760	70,496
5,600,000	5,600,000	100,984
658,848	1,162,148	148,549
2,283,725	2,409,575	117,136
250,000	850,000	17,859
386,089	386,089	201
3,000,000	5,600,000	1,827,026
23,437,904	27,769,414	3,038,287
(1,606,195)	(5,154,254)	2,996,091
90,000	2,590,000	(49,508)
(1,516,195)	(2,564,254)	2,946,583
8,526,827	8,526,827	2,294,404
7,010,632	5,962,573	5,240,987

Webster County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,881,759	70,998	22,952,757
Expenditures	25,140,741	(305,756)	24,834,985
Net	(2,258,982)	376,754	(1,882,228)
Other financing sources, net	2,676,824	-	2,676,824
Beginning fund balances	11,057,444	695,964	11,753,408
Ending fund balances	\$ 11,475,286	1,072,718	12,548,004

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$4,331,510. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted by function.

Webster County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Public Health	Supplemental Environment Project	County Recorder's Records Management	Resource Enhancement and Protection
Assets				
Cash and pooled investments:				
County Treasurer	\$ 726,562	2,703	42,353	89,561
Cash held by escrow agent	-	-	-	-
Receivables:				
Accounts	120,380	-	-	-
Accrued interest	-	5	104	212
Due from other governments	124,179	-	-	8,704
Total assets	\$ 971,121	2,708	42,457	98,477
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,141	-	-	7,319
Salaries and benefits payable	12,507	-	-	-
Due to other governments	21,406	-	-	-
Deferred revenue	30,047	-	-	-
Total liabilities	83,101	-	-	7,319
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	888,020	2,708	42,457	91,158
Total fund balances	888,020	2,708	42,457	91,158
Total liabilities and fund balances	\$ 971,121	2,708	42,457	98,477

See accompanying independent auditor's report.

Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	Frontier Ethanol Urban Renewal Tax Increment Financing	Total
13,058	8,965	131,160	7,434	6,012	-	1,027,808
-	-	-	-	-	276,354	276,354
-	-	-	-	1,000	-	121,380
-	-	-	-	-	-	321
41,728	-	-	-	-	-	174,611
-	-	-	-	-	-	-
54,786	8,965	131,160	7,434	7,012	276,354	1,600,474
283	-	-	1,194	-	-	27,937
-	-	-	-	-	-	12,507
-	-	-	-	-	-	21,406
-	-	-	-	-	-	30,047
283	-	-	1,194	-	-	91,897
-	-	-	-	-	276,354	276,354
54,503	8,965	131,160	6,240	7,012	-	1,232,223
54,503	8,965	131,160	6,240	7,012	276,354	1,508,577
54,786	8,965	131,160	7,434	7,012	276,354	1,600,474

Webster County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Public Health	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management
Revenues:				
Intergovernmental	\$1,551,409	-	-	-
Charges for service	209,352	-	-	8,023
Use of money and property	25	74	-	1,202
Miscellaneous	24,507	-	-	-
Total revenues	1,785,293	74	-	9,225
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	1,471,171	-	50	-
County environment and education	-	-	-	-
Governmental services to residents	-	-	-	11,244
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	1,471,171	-	50	11,244
Excess (deficiency) of revenues over (under) expenditures	314,122	74	(50)	(2,019)
Other financing sources (uses):				
Operating transfers in	-	-	-	114
Operating transfers out	-	-	-	-
Tax increment financing revenue bonds issued	-	-	-	-
Total other financing sources (uses)	-	-	-	114
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	314,122	74	(50)	(1,905)
Fund balances beginning of year	573,898	2,634	50	44,362
Fund balances end of year	\$ 888,020	2,708	-	42,457

See accompanying independent auditor's report.

Resource Enhancement and Protection	Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	County Recorder's Electronic Transaction Fee	Frontier Ethanol Urban Renewal Tax Increment Financing	Total
-	47,560	3,658	-	-	-	-	-	1,602,627
16,751	-	-	-	-	-	-	-	234,126
2,677	-	-	-	-	-	21	1,354	5,353
-	14,327	-	-	-	2,500	-	-	41,334
19,428	61,887	3,658	-	-	2,500	21	1,354	1,883,440
-	11,118	-	-	6,797	29	-	-	17,944
-	-	-	-	-	-	-	-	1,471,221
7,669	-	-	-	-	-	-	-	7,669
-	-	-	-	-	-	10,524	-	21,768
-	-	-	-	-	-	-	1,835,000	1,835,000
-	-	-	-	-	-	-	125,000	125,000
-	-	-	2,509	-	-	-	-	2,509
7,669	11,118	-	2,509	6,797	29	10,524	1,960,000	3,481,111
11,759	50,769	3,658	(2,509)	(6,797)	2,471	(10,503)	(1,958,646)	(1,597,671)
-	-	-	15,550	-	-	-	-	15,664
-	-	-	-	-	-	(114)	(265,000)	(265,114)
-	-	-	-	-	-	-	2,500,000	2,500,000
-	-	-	15,550	-	-	(114)	2,235,000	2,250,550
11,759	50,769	3,658	13,041	(6,797)	2,471	(10,617)	276,354	652,879
79,399	3,734	5,307	118,119	13,037	4,541	10,617	-	855,698
91,158	54,503	8,965	131,160	6,240	7,012	-	276,354	1,508,577

Webster County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	3,019	115,710	296,953
Other County officials	33,963	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,238	2,500	117,243
Succeeding year	-	185,000	358,000	17,182,000
Accounts	780	-	-	-
Special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 34,743	189,257	476,210	17,596,196
Liabilities				
Accounts payable	\$ -	-	240	-
Salaries and benefits payable	-	-	4,318	-
Due to other governments	28,857	189,257	461,792	17,596,196
Stamped warrants payable	-	-	-	-
Trusts payable	5,886	-	-	-
Compensated absences	-	-	9,860	-
Total liabilities	\$ 34,743	189,257	476,210	17,596,196

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Special Districts	Other	Total
17,026	225,526	4,109	686,872	19,653	268,762	1,637,630
-	-	-	-	-	-	33,963
6,983	126,844	137	-	6,597	33	261,575
791,000	11,452,000	297,000	-	-	17,000	30,282,000
-	-	-	-	-	26,990	27,770
-	-	-	-	119,720	148	119,868
-	-	-	-	-	6,054	6,054
-	-	-	-	-	22,427	22,427
-	-	-	-	-	7,013	7,013
815,009	11,804,370	301,246	686,872	145,970	348,427	32,398,300
-	-	-	-	-	2,060	2,300
-	-	-	-	-	-	4,318
815,009	11,804,370	301,246	686,872	145,970	321,646	32,351,215
-	-	-	-	-	23,878	23,878
-	-	-	-	-	-	5,886
-	-	-	-	-	843	10,703
815,009	11,804,370	301,246	686,872	145,970	348,427	32,398,300

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 27,839	178,168	477,914	17,390,474
Additions:				
Property and other county tax	-	185,194	361,978	17,211,743
E911 surcharge	-	-	-	-
State tax credits	-	9,218	18,612	889,062
Office fees and collections	629,852	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	619,478	-	-	-
Miscellaneous	-	-	1,625	-
Total additions	1,249,330	194,412	382,215	18,100,805
Deductions:				
Agency remittances:				
To other funds	352,870	-	-	-
To other governments	255,473	183,323	383,919	17,895,083
Trusts paid out	634,083	-	-	-
Total deductions	1,242,426	183,323	383,919	17,895,083
Balances end of year	\$ 34,743	189,257	476,210	17,596,196

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Special Districts	Other	Total
1,002,085	11,891,294	282,431	810,189	158,934	311,950	32,531,278
792,422	11,388,031	298,689	-	6,349	15,842	30,260,248
-	-	-	-	-	138,399	138,399
51,988	546,985	15,287	-	1,576	240	1,532,968
-	-	-	-	-	-	629,852
-	-	-	7,894,336	-	317	7,894,653
-	-	-	-	25,371	1,089	26,460
-	-	-	-	-	751,704	1,371,182
-	-	-	-	-	25,445	27,070
844,410	11,935,016	313,976	7,894,336	33,296	933,036	41,880,832
-	-	-	254,618	-	-	607,488
1,031,486	12,021,940	295,161	7,763,035	46,260	920,437	40,796,117
-	-	-	-	-	-	634,083
1,031,486	12,021,940	295,161	8,017,653	46,260	920,437	42,037,688
815,009	11,804,370	301,246	686,872	145,970	324,549	32,374,422

Webster County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Seven Years

	Modified Accrual			
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 10,232,642	9,420,176	9,612,231	9,224,170
Interest and penalty on property tax	112,680	126,175	126,424	147,030
Intergovernmental	10,424,458	9,287,058	8,523,465	8,221,990
Licenses and permits	36,289	37,961	37,467	34,870
Charges for service	996,223	943,330	960,634	936,357
Use of money and property	539,678	298,314	254,530	306,698
Miscellaneous	610,787	524,791	729,867	562,867
Total	\$ 22,952,757	20,637,805	20,244,618	19,433,982
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,203,515	4,006,398	3,887,030	3,793,770
Physical health and social services	2,037,675	2,002,786	2,082,151	2,075,150
Mental health	4,112,304	4,144,544	4,113,502	3,666,856
County environment and education	797,784	743,513	849,307	874,326
Roads and transportation	5,639,429	4,663,415	4,584,459	4,518,209
Governmental services to residents	1,030,812	611,466	656,351	584,718
Administration	2,312,763	2,101,383	2,014,704	2,055,254
Non-program	2,049,461	989,983	1,004,592	216,946
Debt service	752,223	599,097	808,549	757,971
Capital projects	1,899,019	1,105,800	806,400	278,857
Total	\$ 24,834,985	20,968,385	20,807,045	18,822,057

See accompanying independent auditor's report.

Basis		
2002	2001	2000
9,006,850	8,453,628	7,834,444
116,397	98,387	85,980
7,917,842	8,273,336	8,192,705
21,258	11,705	12,586
855,576	725,322	653,288
379,909	680,252	803,567
1,128,696	360,968	358,507
19,426,528	18,603,598	17,941,077

3,285,526	3,578,205	3,156,739
1,945,048	1,895,832	2,010,911
3,776,587	3,635,593	3,466,260
817,688	851,146	747,434
4,405,928	4,469,849	4,401,075
511,790	474,842	450,698
2,657,988	2,472,130	2,170,810
377,345	147,783	170,271
1,375,272	530,279	593,483
319,388	1,932,110	1,326,784
19,472,560	19,987,769	18,494,465

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wetlands Reserve Program	10.072	66-6114-0-334	\$ 1,036
U.S. Department of Justice: Edward Byrne Memorial Formula Grant Program	16.579	04B-1361	40,859
Total Direct			<u>41,895</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5885A050	1,085
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5886A050	335,212
			<u>336,297</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		18,969
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program	10.572	1191-05-50	1,129
U.S. Department of Justice: Iowa Department of Justice: Crime Victim Assistance	16.575	VA-04-2812	25,510
Governor's Office Of Drug Control Policy: Edward Byrne Memorial Formula Grant Program	16.579	04D-1371	8,915
Edward Byrne Memorial Formula Grant Program	16.579	05JAG-E30	44,642
Edward Byrne Memorial Formula Grant Program	16.579	05JAG-E33	17,712
			<u>71,269</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO94(46)--8J-94	6,989
Highway Planning and Construction	20.205	BROS-CO94(54)--8J-94	680,811
			<u>687,800</u>
U.S. Election Assistance Commission: Iowa Secretary of State: Help America Vote Act Requirements Payments	90.401	06-HAVA-94-SA1	230,865
U.S. Department of Health and Human Services: Iowa Secretary of State: Voting Access for Individuals with Disabilities- Grants to States	93.617	06-HAVA-94-004	18,220

Webster County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558		22,930
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,425
Foster Care - Title IV-E	93.658		11,796
Adoption Assistance	93.659		2,882
Medical Assistance Program	93.778		30,665
Social Services Block Grant	93.667		15,465
Social Services Block Grant	93.667		183,796
			<u>199,261</u>
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	SL90022	8,708
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	D90021	8,858
			<u>17,566</u>
Cerro Gordo County Public Health Department:			
Childhood Lead Poisoning Prevention Projects- State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5884LP13	23,290
Abstinence Education Program	93.235	5885AB73	1,996
Abstinence Education Program	93.235	5884AB51	15,671
			<u>17,667</u>
Immunization Grants	93.268	5885I404	10,049
Immunization Grants	93.268	5886I404	13,760
			<u>23,809</u>
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5885BT01	51,360
Investigations and Technical Assistance	93.283	5885EH30	585
			<u>51,945</u>
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5885HCO3	31,752

Schedule 6

Webster County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5886NB04	11,928
Maternal and Child Health Services			
Block Grant to the States	93.994	5885AO50	18,377
Maternal and Child Health Services			
Block Grant to the States	93.994	5886MH31	70,659
			<u>89,036</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		16,928
Homeland Security Grant Program	97.067		<u>136,433</u>
Total indirect			<u>2,083,372</u>
Total			<u>\$ 2,125,267</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Webster County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 8, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Webster County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

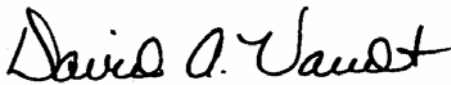
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

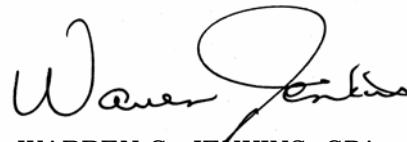
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Webster County and other parties to whom Webster County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Webster County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 8, 2007

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Webster County



**OFFICE OF AUDITOR OF STATE
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**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Officials of Webster County:

Compliance

We have audited the compliance of Webster County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Webster County's compliance with those requirements.

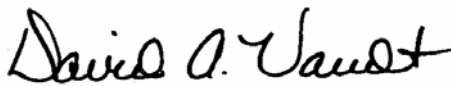
In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

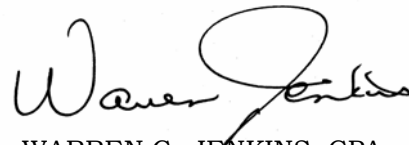
The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Webster County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Webster County and other parties to whom Webster County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 8, 2007

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 90.401 – HAVA Voting System Allocation.
 - CFDA Number 93.667 – Social Services Block Grant.
 - Clustered Programs:
 - Homeland Security Cluster
 - CFDA Number 97.042 – Emergency Management Performance Grants
 - CFDA Number 97.067 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster County did not qualify as a low-risk auditee.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties – During our review of the internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in these offices may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Sheriff and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder and Sheriff
(5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder
(6) Accounting manuals are not maintained.	Auditor and Recorder
(7) Voided receipts are not reviewed by an independent person and the review is not evidenced by initials.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the reviewer's initials or signature and date of review.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Responses –

County Auditor – We are currently working on our accounting manuals with some aspects completed. We will make every effort to complete.

County Treasurer – On a random basis, we will record the daily mail and trace the receipts into the accounting records. This will be documented in a notebook and retained.

County Recorder – On our Vital Record Account, we have segregation of duties. The other accounts we are working on. We are gathering information to create an accounting manual.

County Sheriff – Due to limited number of people in the office, we will segregate duties to the extent possible.

Conclusions – Responses accepted.

II-B-05 Information Systems – The County has prepared a written disaster recovery plan. However, the plan has not been tested and approved by the Board of Supervisors.

Recommendation – The written disaster recovery plan should be discussed, tested and approved by the Board of Supervisors.

Response – We will make every effort to complete and approve plan as soon as possible.

Conclusion – Response accepted.

II-C-05 County Sheriff Jail Inmate Account – Monthly subsidiary ledger balances for individual inmate accounts were not reconciled to the jail inmate account balance.

Prenumbered receipts were not issued for all collections. The stamped deposit ticket is not compared to the cash receipt journal by an independent person.

Recommendations – Monthly subsidiary ledger balances for individual inmate accounts should be reconciled to the jail inmate account balances.

Prenumbered receipts should be issued for all collections. Also, the stamped deposit ticket should be compared to the cash receipts journal by an independent person.

Response – We will follow the above recommendations. Also, prenumbered receipts have now been obtained.

Conclusions – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-D-05 Public Health Nurse Receivables – Proper accounts receivable listings were not prepared and retained at the end of each month. Also, amounts billed for Medicare, Medicaid and other reimbursements were not reconciled to collections and accounts receivable. In addition, an accounting manual is not maintained.

Recommendation – Accounts receivable listings should be prepared and retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly. In addition, an accounting manual should be developed and maintained.

Response – Accounts receivable listing for all accounts will be prepared and retained. A reconciliation of billing, collections and accounts receivable will be prepared monthly. A summary page will be included in the spreadsheets to show outstanding balances due the agency per program at any given time.

The Webster County Health Department is researching and eventually will implement new software to assist with proper accounts receivable documentation. We are shooting for an implementation date of July 1, 2007.

An accounting manual is in the final stages of completion. The accounting manual will be approved by the Board of Health on March 8, 2007 and will be updated annually thereafter.

Conclusion – Response accepted.

II-E-06 Capital Assets – Certain capital assets, including right-of-way, were not included on the County's capital asset listing at June 30, 2006. This matter was resolved for audit purposes.

Recommendation – The County Auditor's office should review the capital asset listing with Secondary Roads to help ensure right-of-way is properly recorded. Also, county personnel should review the capital assets additions for completeness.

Response – When processing claims we will make sure capital asset forms are completed when right-of-way is being purchased.

Conclusion – Response accepted.

II-F-06 Assessor Vehicle – The County Assessor purchased a vehicle to be used by the Assessor's office. The Assessor also uses the vehicle to commute to and from work.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Recommendation – As required by the IRS Taxable Fringe Benefit Guide, unless the County requires the Assessor to commute in a county vehicle, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to the employee. The IRS provides a commuting rule of \$1.50 each way if the employer requires the employee to commute in the vehicle for a valid non-compensatory business reason. However, the County has not done this.

Response – The County Assessor “only” uses the vehicle, in commuting, when it is going to be used out in the field. All other days my private vehicle is driven “to and from” the Courthouse. Since parking is at a premium downtown, I believe that storing the vehicle at my home is within reason. I will be checking with some of my fellow assessors to see what they are doing. I will make the necessary corrections after I get more information.

Conclusion – Response acknowledged. However, the County should follow IRS guidelines.

II-G-06 County Treasurer Receipts – The County Treasurer did not record the Frontier Ethanol Tax Increment Revenue Bond proceeds timely. The County received the funds on May 2, 2006 by an electronic transfer and a portion of the proceeds were a reconciling item on the Treasurer’s June 30, 2006 bank reconciliation. The majority of the receipts were not recorded in the County’s financial records until October 26, 2006. This matter was resolved for audit purposes.

Recommendation – The County Treasurer should ensure all receipts are recorded in the financial statements in a timely manner.

Response – This was lack of communication between the County Auditor/County Treasurer’s offices. I will see that it does not happen again.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over major programs were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted by function.
- IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-06 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check.

The County Recorder and County Sheriff did not obtain an image of the back of each cancelled check as required.

Recommendation – The County should obtain and retain check images as required.

Responses –

County Recorder – I contacted the bank and they are now sending back sides of checks also.

County Sheriff – I called the bank to see if they could do both sides of the check.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- IV-J-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

The County Extension office did not restrictively endorse checks until the deposit was prepared.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received.

Response – All staff have been instructed when they receive a check a restricted endorsement should be placed on it immediately.

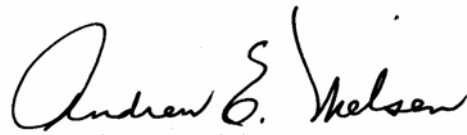
Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Ernest H. Ruben, Jr., CPA, Senior Auditor II
Shawn R. Elsbury, Staff Auditor
Tracy L. Haronik, Staff Auditor
Donald J. Lewis, CPA, Staff Auditor
Jenny R. Schneider, Assistant Auditor
Adam D. Steffensmeier, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State